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BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

ALMA R. LEE JR.
P.O. BOX 232
Wittmann, AZ 85361
President of American
Realty & Mortgage Co., Inc.

Arizona Corporation Commission
DOCKETED

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AZ CORP COMMISSION
DOCKET CONTROL

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STAFF OF THE UTILITIES DIVISION,
Complainant

DOCKET NO. W-02258A-07-0470

vs.

RESPONSE TO COMPLAINANTS
MOTION TO AMEND COMPLAINT

AMERICAN REALTY & MORTGAGE CO.,
INC. DBA HACIENDA ACRES WATER
SYSTEM,

Respondent

As the Secretary/Treasurer, Attorney and Statutory Agent, Joseph W. Lee, is under Temporary Restraining Order in Maricopa County Superior Court Case No. CV2007-015778 from acting for American Realty & Mortgage Co., Inc. and the Corporation being heavily in debt and without funds to procure another attorney, I Alma R. Lee Jr., President, am responding to the Arizona Corporation Commissions Motion To Amend Complaint as follows:

1. Over a year ago the corporation responded to two (2) separate Complaints filed with the Arizona Corporation Commission by the Schuhs concerning a six (6) inch main gate valve agreement. See attached copies of ACC's Complaint Nos. 2006-50806 and 2006-53208 together with the corporations response to the two (2) complaints marked EXHIBIT "A". The ACC to date has never ruled on either complaint.

2. Thereafter on August 28, 2006 the Schuh's filed a Complaint against the Corporation upon the exact same six (6) inch main gate valve agreement. Sometime later the Justice Court ruled that the ACC did not have jurisdiction over the six (6) in main gate valve agreement or the water company. See attached copies of the Justice Court Complaint No. CV2006-400 Order marked EXHIBIT "B" declaring that the Justice Court had jurisdiction over the water company and the main gate valve agreement, and; the Final Judgment for \$12,418.60 marked EXHIBIT "C".

1
2 3. I as President and Director, therefore knowing the terrible financial condition of
3 the corporation and of the Schuh law suit found it in the best interest of the Corporation to sell
4 and convey to Joseph W. Lee the well site and well equipment but not the water franchise itself.
5 And, Joseph W. Lee agreed to loan the Corporation operating monies and to try to save the
6 water franchise. See copy of Deed dated February 19, 2007 marked EXHIBIT "D" and Bill of
Sale dated February 19, 2007 marked EXHIBIT "E".

7 4. Knowing of the pending Schuh law suit, I felt it was in the best interest of the
8 Corporation to file for an emergency rate increase -- the Corporation never was granted a rate
9 increase in over 30 years. The rate increase needed to be a huge one to pay for the Corporation's
10 past debts, increased costs for treatment to purify the water as required by the EPA and ADEQ
and for the upcoming Schuh Judgment of several thousand dollars.

11 5. On Monday August 20, 2007, at the all day emergency Rate Increase hearing, the
12 ACC itself introduced into evidence the Justice Courts Final Schuh Judgment for \$12,418.60
13 against the Corporation and Joseph W. Lee. The Judgment was immediately due and payable.
14 The ACC had been well informed at the hearing on the 20th day of August 2007 that as the
15 yearly gross revenues of the Corporation were only about \$7,000 per year for 2005 and 2006 that
16 the Corporation could not pay any bills except the Schuh Judgment for about two (2) years. Nor,
17 would the Corporation be able to treat and serve any potable water to its customers without a
18 "huge" emergency rate increase. The ACC staff on the 20th day of August 2007 did not
19 recommend a huge increase. Attorney Joseph W. Lee at the August 20, 2007 hearing made it
quite clear that the water company would be immediately forced out of business by the EPA,
ADEQ requirements and the Schuh Judgment

20 6. To date neither I as President or Director, personally or the Corporation has ever
21 received any Notice of Hearing for an Order To Show Cause.

22 7. I believe it was in the best interest of the Corporation and the customers to stop
23 water operations immediately as the EPA and ADEQ both felt that the water was not potable or
24 safe for drinking water purposes. See copies of EPA Order marked EXHIBIT "F" and ADEQ
report of August 2, 2007 marked EXHIBIT "G" attached hereto and made a part hereof.
25

1
2 8. The Corporation immediately gave notice of the immediate termination of water
3 service to all customers. See attached copy of water termination Notice immediately given to all
4 customers included in EXHIBIT "H".

5 9. As the Corporation was heavily in debt and could not borrow any more monies
6 and could not pay any past or present bills including its APS electric bill, I felt it was in the best
7 interest of the Corporation to terminate the APS electric service for the water system
8 immediately. Failure to close the APS electric account, I believe, would have been a fraud on
9 APS as there were not sufficient monies to pay the corporations bills, the APS future bills or the
10 \$12, 418.60 Schuh Judgment with the existing water revenues of only about \$600 per month
11 without the "huge" emergency rate increase that was requested but denied.

12 10. The possession of the well site, water equipment, etc was turned over to Joseph
13 W. Lee, individually, as sole owner on Monday August 21, 2007.

14 11. As Joseph W. Lee was soon to go out of town for a few days on business, the APS
15 electric service was changed over a day or two earlier, but Joseph W. Lee was to pay all the
16 future electric bills not the Corporation. See paragraph 9 above.

17 12. As the ACC and public were notified at the August 20, 2007 Emergency Rate
18 Increase Hearing of the termination or shut down of the water company. Under the health rules, I
19 believe, the Corporation did comply with all rules of the ACC including ACC R14-2-402(B).
20 However, if there was a technical violation of R14-2-402(B) then the fraud and public health
21 issues, I believe, were more important. The Corporation was damned if it continued operations as
22 it would be fraud on its creditors like APS and it would be unhealthy and wrong to sell tainted or
23 non-potable water. In addition, the sale of tainted or impure water could subject the Corporation
24 to thousands or millions of dollars in damages. The only real choice was for the water company
25 to "shut down" immediately.

26 13. Thus, I believe it was the ACC itself and its agents who denied the Corporation
27 due process of law by not notifying the Corporation of its intention to wrongly appropriate the
28 well site and equipment of Joseph W. Lee on Monday August 27, 2007 after 7:00 A.M. The
29 ACC and its agents wrongfully broke into the well site of Joseph W. Lee, vandalized the well
30 equipment stole water, etc all without any right or notice to Joseph W. Lee or the water company

1 by, memo, writing etc. I believe that the ACC and its agents are clearly trespassers, vandals and
2 thieves - not Joseph W. Lee. The ACC continues to steal water and use Joseph W. Lee's
3 equipment and well site without one penny being paid to him or even a promise to pay.

4 14. The Corporation formally notified the ACC in writing of its surrender of the
5 Corporations water franchise on September 5, 2007. See copy of attached Notice of Surrender
6 which was duly filed for Docket Nos. W-02258A-07-0414 and W-02258A-07-0470 marked
7 EXHIBIT "H".

8 15. To date the Corporation has never been given any Notice of a hearing on the
9 Order To Show Cause. However, it seems pointless to now hold an Order To Show Cause
10 hearing after all water service has been terminated and the water franchise totally surrendered.

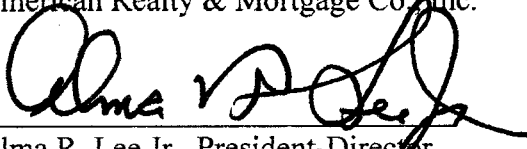
11 16. The little water company never had a rate increase during its over 30 year life. I
12 believe, the ACC had a legal and constitutional duty to properly fund the water company. The
13 ACC directly or indirectly has appropriated the meager assets of the tiny, tiny corporation year
14 by year by failing to grant a single rate increase and slowly but surely forcing the water company
15 into bankruptcy.

16 17. The Corporation plans to file or shall file Articles of Dissolution in the near
17 future. Of course, that would allow another water company to be set up to serve a large area, not
18 just the 100 acres that the tiny water company was serving. Therefore, the Motion To Amend
19 Complaint should be denied for the facts and reasons stated herein

20 In the event that the CC & N or the water franchise was not cancelled previously by
21 virtue of the Notice of Surrender of Water Franchise on September 5, 2007 then the Corporation
22 is not apposed to the water franchise being terminated. However, I believe that the Water
23 Companies Notice of Surrender of Franchise was valid and would make the issue meaningless.

24 Dated this 25th day of September, 2007.

25 American Realty & Mortgage Co. Inc.



Alma R. Lee Jr., President-Director,
In behalf of the corporation

LIST EXHIBITS

Page No.

EXHIBIT "A"	Arizona Corporation Commission Schuh 1 st Complaint No. 2006-50806 and Schuh 2 nd Complaint No. 2006-53208;	E1
EXHIBIT "B"	Pinal County Justice Court Com[plaint No. CV2006-400 Order declaring jurisdiction;	E2
EXHIBIT "C"	Pinal County Justice Court Final Judgment Case No. CV2006-400	E3
EXHIBIT "D"	Copy of Deed to Joseph W. Lee;	E4
EXHIBIT "E"	Copy of Bill of Sale for Well Equipment to Joseph W. Lee;	E5
EXHIBIT "F"	Copy of EPA Order;	E6
EXHIBIT "G"	Copy of ADEQ Report of August 2, 2007;	E7
EXHIBIT "H"	Copy of Water Termination Notice given to Customers and Copies of Notice to Surrender Water Franchise	E8

EXHIBIT 'A'

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone: (602) 364-0236

Fax: (602) 542-2129

Priority: Respond Within Five Days

Complaint No. 2006 - 50866

Date: 4/5/2006

Complaint Description: 01F Billing - No Bill Received

Complaint By: First: Ken Last: Shue

Account Name: Ken Shue

Home: (000) 000-0000

Street: 6660 N. Poplar St.

Work: (520) 450-9897

City: Maricopa

CBR:

State: AZ Zip: 85239

is:

Utility Company: Hacienda Acres Water System

Division: Water

Contact Name: Joseph Lee

Contact Phone: (623) 388-2949

Nature of Complaint:

Customer says the company pulled his meter two weeks ago. Customer says he has not received a bill in 4-5 months and was not home when a representative of the company came to his house demanding payment. Customer says he received a call at work the next day from a family member that there was no water. Customer says when he contacted Joseph Lee he was told by Mr. Lee that the meter was pulled because the customer had not paid his bill. Customer was told he would need to pay \$2500 for the meter to be replaced and the water service restored.

Why was this customer's meter pulled without proper notice according to Rule 13-2-410.D and E? If proper notice was provided, please fax a copy to the Commission. Why has this customer not been billed for the past 4-5 months? Please provide the Commission with copies of the customer's billing statements for the past 12 months. What Rule or Tariff is the company using to substantiate the \$2500 charge for restoring service?
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Faxed to Hacienda Acres at 623-388-2413.
End of Comments

Date Completed:

Complaint No. 2006 - 50866

Substantiated/Un-Substantiated not yet determined

Notes:

EI

American Realty & Mortgage Co.

P.O. Box 232, 32241 Center Street, Wittmann, AZ 85361
Phone 623-388-2949 or 623-388-0500 * Fax 623-388-2413
Email jwlatty@hotmail.com

April 13, 2006

Arizona Corporation Commission
Utility Complaint Division

ATTN: Investigator: Deb Reagan

RE: Complaint No.: 2006-50866/Kenneth Schuh

Utility Company: American Realty & Mortgage Co. Inc.

Dear Ms. Reagan:

Please be advised that Kenneth Schuh and family have been aware for many months of the delinquent status of their water account for Lot 3 Hacienda Acres (aka: 6660 N. Poplar Street, Maricopa, Az 85361) See attached copies of water company records showing that water has been billed and customer has not paid for service in over 2 years. Last payment received was 1/16/2004 in the amount of \$105.12.

Several opportunities were given to Kenneth Schuh and family to pay their debt, including the most recent certified Notice mailed through the United States Postal Service on February 24, 2006. See copy of United States Postal Service Certificate of mailing as well as the Receipt of Certified mail both dated February 24, 2006.

Please be advised that Mr. & Mrs. Schuh have lived on Lot 3 Hacienda Acres for various years and still reside on Lot 3 to date. Further, several months ago on October 4, 2005 Kenneth Schuh personally signed for the Certified Notice Of Intent To Terminate Water Service informing him that the water company intended to terminate the water service, for serious non-payment. The recent Final Notice was only given to avoid any doubt whatsoever of the water companies intention to sever the service, in full compliance of all of the Corporation Commissions Rules. In addition Mr Schuh spoke to me personally at the time the water service was severed in the presents of David Rios and John Rios who were assisting me.

It is very obvious that the former water company customer, Schuh totally failed to pay their bills after many, many written notices.

A brief over view of the water company shows that the water rate of \$1.00 per 1,000 gallons is probably one of the lowest rates in all of Arizona.

I hope this fully answers your requests of this water company.

Respectfully Yours,

Joseph W. Lee,
Secretary/Treasurer
American Realty &
Mortgage Co., Inc.

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

Investigator: Deb Reagan

Phone: (602) 364-0236

Fax: (602) 542-2129

Priority: Expedite

Complaint No. 2006 - 53208

Date: 6/23/2006

Complaint Description: 05A Quality of Service - Response Time

First:

Last:

Complaint By: Ken

Schuh

Account Name: Ken Schuh

Home: (000) 000-0000

Street: 6660 N. Poplar Street

Work: (520) 450-9897

City: Maricopa

CBR:

State: AZ **Zip:** 85239

is:

Utility Company: Hacienda Acres Water System

Division: Water

Contact Name: Joseph Lee

Contact Phone: (623) 388-2949

Nature of Complaint:

*****PLEASE EXPEDITE - CUSTOMER SAYS HE HAS PAID HIS BILL*****

Mr. Schuh says he paid American Realty and Mortgage Co. dba Hacienda Acres Water System a total of \$3,450 to have service restored after it was disconnected for non-payment of his bill of \$380.15. Customer wants to know when the service will be restored.

Please explain to the Commission why customer is being charged more than what is required to install a meter and service line to serve his home. The approved tariff the company has for this charge is \$120 for a 3/4" meter NOT \$3,450 as noted on an invoice provided by the company. (A copy of company's tariff will be faxed with this complaint.) (See Complaint 2006-50866 for similar question which was not answered.)

If the company has received payment of \$380.15 (for the past due bill) or \$3,450 (as noted on the invoice dated 5/8/2006) from this customer the service needs to be restored IMMEDIATELY and the balance of the overpayment needs to be refunded to customer.

Please explain to the Commission why the company has billed this customer for all the items listed on the invoice dated 5/8/2006. Have other customers on this system been billed similar charges?
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Faxed to Hacienda Acres Water System at 623-388-2413.
End of Comments

Date Completed:

TARIFF SCHEDULE

TARIFF SHEET NO. 1UTILITY: HACIENDA ACE TER SYSTEM

PLACES SHEET NO. _____

DOCKET NO.: U-2258VISION NO. 44444

TELEPHONE: _____

EFFECTIVE 9/1/74RATES & CHARGESMONTHLY SERVICE RATE:

<u>MINIMUM</u>	<u>GALLONS</u>	<u>MINIMUM</u>	<u>GALLONS</u>
5/8 x 3/4" \$ <u>15.00</u>	FOR <u>2,000</u>	3" \$	FOR
3/4" \$	FOR	4" \$	FOR
1" \$	FOR	5" \$	FOR
1-1/2" . . . \$	FOR	6" \$	FOR
2" \$	FOR		

\$1.00 PER 1,000 GALLONS IN EXCESS OF MINIMUMSERVICE LINE & METER INSTALLATION CHARGES:

5/8 x 3/4" \$ <u>100</u>	1-1/2" . . \$ <u>300</u>
3/4" . . . \$ <u>120</u>	2" \$ <u>400</u>
1" \$ <u>160</u>	

SERVICE CHARGES:

ESTABLISHMENT _____	RE-ESTABLISHMENT <u>25</u>
AFTER HOUR _____	(Within 12 months)
RECONNECTION \$ <u>5.00</u>	NSF CHECK _____
(Delinquent)	DEFERRED PAYMENT _____
METER TEST _____	RE-READ \$ <u>2.50</u>
* DEPOSIT _____	

* (If other than provided for in Rules & Regulations)

OTHER CHARGES AS SPECIFIED BY ORDER:

Joseph W. Lee
623-388-2949

Date 5/8/2006

AMERICAN REALTY & MORTGAGE COMPANY INC.
PO Box 232
Wittman, AZ, 85361

Business ID: 11-301

INVOICE

Kenneth Schuh
Henritta Schuh

6660 N. Poplar Street
Maricopa, AZ, 85239

Lot 3 Half and Acres Estimate

(New 6" gate valve + Meter & Piping) Pipe 8 - Terry Adam - Oral
Sedona West Material List

\$1,400.00

Piping

Glue

6" Valve

3/4 " Meter

Meter Box

Metal Box for 6" cannon valve

Etc.

Labor:

Tractor Operator - 2 days

\$850.00

2 - Labors for 2 days

\$350.00

Tractor Rental (Bingham Equipment Company) from Casa Grande with fuel

\$750.00

Notices to water users of water turn off 2 days

\$300.00

TOTAL

\$3,450

American Realty & Mortgage Co., Inc.

P.O. Box 232, 32241 Center Street, Wittmann, AZ 85361
Phone 623-388-2949 or 623-388-0500 * Fax 623-388-2413
Email jwlatty@hotmail.com

July 20, 2006

Arizona Corporation Commission
Utility Complaint Division
Washington Street
Phoenix, AZ

Attn: Utility Division/Deb Reagan, Investigator

Re: Lot 3 Hacienda Acres/Ken Schuh Complaint No. 2006-53208
Re: Turnoff and discontinuance of water service; Critical Water
Company Finances and Emergency Water Shortage

Water Company's Supplemental Response to Schuh Complaint

I

Former customers, Kenneth and Henrietta Schuh, purposely and intentionally failed to pay their delinquent monthly billings.

It is well documented that the water company gave the Complainant, Schuh, many opportunities to pay their delinquent water bills. The water company served many written Delinquency Notices and some oral. Complainant Schuh purposely and intentionally refused to pay their many delinquent billings. Finally, after giving proper Notice the water company rightfully terminated the water service on Lot 3 Hacienda Acres, Pinal County, Arizona and the Schuh's meter was removed. Complainant Schuh even refused to accept some certified mailings or notices sent by the water company. **Complainant, to date, has never paid his delinquent water bills.**

II

The water company has suffered severe operating losses for many, many years. The Arizona Corporation Commission may take judicial notice of it's own Annual Utility Reports for approximately the last 35 years. To support the water company's position I am attaching copies of the Arizona Corporation Commissions Utility Reports for 2002 showing a Gross Income of \$3,454.00 and accumulated Gross expenses of \$54,289.00 a loss thru 2002 of \$50,835.00. and for 2003 Gross Income of \$4,407.00 and an accumulated Gross Expense of \$60,865 for a loss thru 2003 of \$56,458.00, to emphasize the very critical operating **LOSSES.**

III

Included in the severe operating losses is the Lease payment of \$200.00 per month for the back up well, located on the west 100 feet of Lot 12, Hacienda Acres at the South End of the water company's franchise area. But, the water company has been served a written notice to terminate the Lease on August 31, 2006 for non- payment for 2005 and for January thru July 2006.

The back up well furnishes approximately 40 to 50 percent of the entire water supply. Because of the water shortage and operating LOSSES the water company has declared a water emergency and is not installing any "New" water meters presently.

IV

The original water main of Six inch (6") plastic which served the Schuh lot is nearly forty (40) years old. That is, the water main's life expectancy of Thirty (30) Years has been greatly exceeded by nearly Ten (10) years. Obviously, the water main could fail at any time. Just as obviously, there is not a single penny to repair or replace the existing Six inch (6") main.

V

The water company's knowing of the water shortage, its financial losses, and the likely hood of the loss of water due to possible failure of the only water main made a special offer to the Complainant Schuh (lot 3 Hacienda Acres). The water company would install a new Six inch (6") turn-off valve on the main line at Lot 3 Hacienda Acres. With a series of water main turnoff valves the water company could limit a total loss of all waters on the main and allow for water shortage on shorter segments which would allow quicker repair times. Thus, keeping the water flowing without severe down time on the entire water main.

The Complainant accepted and agreed to the special offer made to him. However, from the Complaint to the Arizona Corporation Commission it appears that Schuh wishes to disavow or rescind the special Agreement.

The water company has made the following decision:

ONE: The water company shall refund the monies received for the new special Six (6) inch turnoff valve and meter installation if the Arizona Corporation Commission determines that the special agreement with Schuh's should be rescinded. Of course Schuhs would not have water service due to the emergency water shortage and moratorium. Schuh's have no water meter or service presently; or

TWO: The water company will honor the special water agreement made previously and furnish water service to Complainant Schuh upon payment of the Schuh delinquent billings, Payment of a water security Deposit and all fees as agreed.

VI

Be advised that Complainant Schuh has never paid for a water meter if the special agreement is rescinded. No water service will be provided until a new water meter installation is paid for and is installed.

VII

The water company's rates and fees have never been increased in over 30 to 40 years. Obviously, the costs for labor and materials for items such as meter installations have very greatly increased. The water company is entitled by the Arizona Constitution to earn a profit and not lose money. The water company must be able to charge the actual market price of both labor and material for any new installations. Otherwise, the loss incurred would constitute an illegal taking of the meager assets of this tiny, tiny water company. Thus, the Arizona Consitution requires that Complainant Schuh shall pay at a minimum the actual market price for any meter installation.

VIII

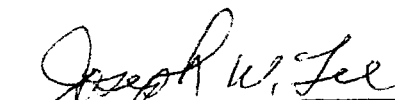
Complainant Schuh to date has never tendered a water Security Deposit. Obviously, the water company is entitled to a water Security Deposit. Complainant, Schuh refused to accept the company's latest certified notice concerning Lot 3.

SUMMARY

This tiny, tiny water company is in dire straits. The company pleads for proper assistance and assistance for a rate increase of about 10 to 20 times its present rate to cover old loses and update this old system.

Having further answered the Complainant Schuh's Complaint, the water company awaits the ACC's response. The water company is sorry to respond so slowly, but both my secretaries have been ill.

Dated this 21st day of July, 2006.



Joseph W. Lee

Secretary/Treasurer of
American Realty & Mortgage Co., Inc.

American Realty & Mortgage Co., Inc.

P.O. Box 232, 32241 Center Street, Wittmann, AZ 85361
Phone 623-388-2949 or 623-388-0500 * Fax 623-388-2413
Email jwlatty@hotmail.com

September 19, 2006

Arizona Corporation Commission
Utility Complaint Division
Washington Street
Phoenix, Az

Attn: Utility Division/Deb Reagan, Investigator

Re: Lot 3 Hacienda Acres/Ken Schuh Complaint No. 2006-53208
Turnoff and Discontinuance of Water Service; Critical Water
Company Finances and Emergency Water Shortage

Water Company's 2nd Supplemental Response to Schuh Complaint

ONE

Attached is a copy of the Water Company's 2005 Annual Utility Report. The 2005 Annual Report shows Accumulated Losses of over **\$75,000**, and the losses for 2006 are even greater. *than 2005 losses*

TWO

As I previously informed the Arizona Corporation Commission in my previous Supplemental Response, the Water Company is willing to abide by the Commission's Order if the Schuh Special Agreement to install a special 6" Turn-off Valve and Water Meter is set aside. However, the Water Company had purchased a costly Gate Valve, parts and incurred expenses of several hundred dollars. Therefore, if the Commission requests a refund to Schuh then the Water Company needs at least 30 days in which to borrow the money for the refund. Of course, the Water Company is entitled to a fair hearing on the issues it has raised.

THREE

- A. Regarding the Lease of the Backup Well on Lot 12 Hacienda Acres. Please be advised that the Water Company has totally failed to pay even one penny in cash towards the lease payments. The Water Company has no additional fund with

which to make the Lease payments. The Water Company barely and only sometimes can make the payments on the electric billings, let alone any additional lease payments. The Water Company does not make enough money to be able to afford this.

- B. Water Company was duly notified of the well Lease Termination by the Lee Trust, DTD 7/24/2002, Owner of the Well, effective august 31, 2006. See Affidavit of Paralegal Vicky Antrim, attached hereto and incorporated herein.
- C. However, as the only other well or main well on Lot 20 Hacienda Acres went down and all customers would have been totally out of water, the Lee Trust agreed to waive the termination date of August 31 2006 and extend the termination date to September 30, 2006. See copy of the Bloomquist Pump Company's recent billing for \$1,054.30. In addition, a pressure pump and tank went out on the Backup Leased Well Site which cost the Water Company \$400. Of course, the Water Company is forced to borrow the repair monies or shut down the water systems. Again, see attached Affidavit of Paralegal Vicky Antrim.

FOUR

A copy of the Notice of Termination of the Well Lease effective September 30, 2006 is attached and incorporated herein.

FIVE

Again, Schuh has recently refused Certified Notices of the Water Company. Nor has Schuh paid their delinquent water billings.

SIX

As the Two (2) wells pumped over 3,000,000 gallons of water together last year. It is not possible for the one remaining well to provide sufficient water for the coming months and year without some type of Special Agreements, additional storage tanks and facilities and a large emergency rate increase.

SEVEN

The Water Company has prepared an emergency Water Notice to inform it's customers of the Water Companies water shortage. The Water Company in the future, without the Backup Well we will likely not have enough water by Noon each day during hot weather when water usage is highest in the system. Further, due to the critical water shortage the Water Company has no plans to add any new water meters to the system. Without the Special Water Agreement the Water Company does not plan on adding Schuh as a

customer. Especially since Schuh has never even bothered to pay ***their*** delinquent water bill.

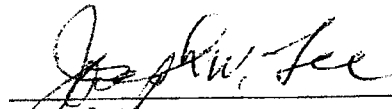
EIGHT

Thus, the Water Company pleads and begs for some type of Emergency relief to assist it with its many difficult problems.

NINE

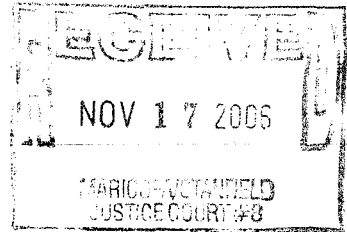
In summary, the Water Company feels that under the circumstances it is in the best interest of Schuh and the Company that the Schuh Special Agreement to install a special 6" Gate Valve and Meter be approved and not rescinded.

Dated this 20th day of September, 2006.



Joseph W. Lee
Secretary/Treasurer of
American Realty & Mortgage Co., Inc.

David Wm. West, Esq. #001793
LAW OFFICES OF
DAVID WM. WEST, P.C.
9249 North Deer Trail
Maricopa, Arizona 85239-4917
(520) 568-2944
Attorney for Plaintiffs



IN THE MARICOPA/STANFIELD JUSTICE COURT # 8
IN AND FOR THE COUNTY OF PINAL

KENNETH H. SCHUH and HENRIETTA
SCHUH, husband and wife,

Plaintiff,
v.

JOSEPH W. LEE and JANE DOE LEE, husband
and wife individually, and doing business as
American realty and mortgage co., inc., d/b/a
Hacienda Acres Water System, an Arizona
corporation,

Defendants.

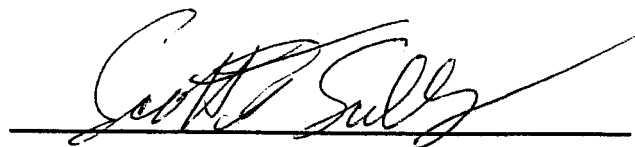
No. CV 2006-400

ORDER

Having considered the arguments of counsel and considered the intent of Article 15,
Section 3, Arizona Constitution regarding the power of the Arizona Corporation
Commission,

IT IS ORDERED that this Court has jurisdiction over the contract disputes between
the parties regarding water service.

ENTERED this 21 day of November, 2006.



Justice of the Peace

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Copy as lodged mailed
this 14th day of November
to:

Joseph W. Lee, Esq.
32241 Center Street
Wittmann, AZ 85361

Richard West

**MARICOPA/STANFIELD JUSTICE COURT, PRECINCT NUMBER EIGHT
OF
PINAL COUNTY, STATE OF ARIZONA**

Exhibit C

Date: 08/16/07

Judge: Scott F. Sulley

Clerk: N.A.

KENNETH H. SCHUH &
HENRIETTA SCHUH,
husband & wife

Plaintiffs,

VS

JOSEPH W. LEE, and doing business
as American Realty and Mortgage
Co. inc., d/b/a Hacienda Acres Water
System, an Arizona Corporation

Defendants,

CASE NO: CV2006-400
MINUTE ENTRY ACTION:

JUDGEMENT

The above captioned matter coming on regularly to be heard on May 7, 2007, the Court taking the matter under advisement; the Court having received Plaintiffs supplement to application for attorney's fees on July 6, 2007 and noting that there has been no request for Finding of Facts and Conclusions of Law, therefore,

IT IS THE ORDER OF THIS COURT that a Judgement of six thousand, nine hundred and twenty dollars and eighty cents (\$6, 920.80) is entered in favor of the Plaintiffs and against the Defendants, jointly and severally, as to: Count III, Breach of Contract; Count IV, Breach of Implied Covenant of Good Faith and Fair Dealing; Count V, Common Law Fraud and Count VI, Statutory Consumer Fraud as set forth in Plaintiffs' complaint.

It is **FURTHER ORDERED** that pursuant A.R.S. §§ 44-1534, 12-341, 12-341.01 (A) (B) & (C) & 12-349, the Defendant shall pay to the Plaintiffs as and for Attorney's fees Five-thousand, eight hundred and twenty dollars (\$5,820) and also pay costs of two-hundred seventeen dollars and eighty cents (\$217.80) for a total Judgement of twelve-thousand, four hundred and eighteen dollars and sixty cents (12, 418.60).

DONE IN OPEN COURT THIS 17 day of August

Scott F. Sulley
Scott F. Sulley
Justice of the Peace



E3

EXHIBIT - D

When Recorded Mail To:

Joseph W. Lee

P. O. Box 640

Wittmann, AZ 85361



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
LAURA DEAN-LYTLE

DATE/TIME: 08/24/07 1504

FEE: \$35.00

PAGES: 2

FEE NUMBER: 2007-097197

WARRANTY DEED

For the consideration of Ten Dollars, and other valuable consideration AMERICAN REALTY & MORTGAGE CO. INC., does hereby convey to

JOSEPH W. LEE, a married man as his sole and separate property

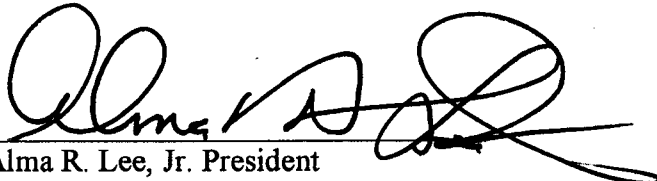
All right, title or interest in the following real property situated in the County of Pinal, State of Arizona, more particularly described as:

The East 100 feet and the North 25 feet of LOT 20 HACIENDA ACRES,
According to the plat of record in the office of the County Recorder of Pinal
County Arizona in Book 14 of Maps, page 19.

Except therefrom all oil and other mineral rights as reserved in the Deed
Recorded in Docket 201 page 304.

And does warrant the title against all persons whomsoever, subject to the matters above set forth under penalty of fine and imprisonment.

Dated this 19th day of February 2007


Alma R. Lee, Jr. President
American Realty & Mortgage Co. Inc.

E-4

STATE OF ARIZONA


)

) ss

County of Maricopa

)

This instrument was acknowledged before me this 19th day of February 2007 by
Alma R. Lee Jr., President of American Realty and Mortgage Co., Inc.


NOTARY PUBLIC

My Commission Expires: 12-19-2009

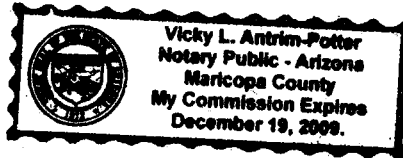


Exhibit - E

BILL OF SALLE

SELLER AMERICAN REALTY AND MORTGAGE CO.,INC. AN ARIZONA CORPORATION IN CONSIDERATION OF THE SUM OF TWENTY TWO THOUSAND DOLLARS (\$ 22,000.00), THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, DOES HEREBY SELL, CONVEY AND TRANSFER TO BUYER JOSEPH WILLIAM LEE, HUSBAND OF ALMA ROSA LEE ALL OPERATING EQUIPMENT PLANT, AND PERSONAL PROPERTY OWNED BY THE AFORESAID CORPORATION IN THE HACIENDA ACRES SUBDIVISION IN PINAL COUNTY, ARIZONA INCLUDING BUT NOT LIMITED TO THE FOLLOWING:

1. THE 10,000 GALLONS WATER TANK, WELL PUMP, TWO (2) PRESSURE TANKS AND TWO (2) INLINE WATER PUMPS.

2.THE ELECTRIC POLE AND ELECTRIC SERVICE, STORAGE ROOM, FENCING AND MISCELLANEOUS MAATERIALS;

3.ALL WATER MAINS, RISERS, PIPING, WATER METERS, WATER METER BOXES, TURN ON VALVES, ETC., FOR DELIVERY OF WATER NOW OWNED BY THE CORPORATION.

4.ANY AND ALL OTHER PHYSICAL PLANT, FACILITIES AND EQUIPMENT;

5.THE CORPORATION NAME, STOCK AND WATER FRANCHISE ARE HEREBY SPECIFICALLY EXCLUDED FROM THIS AGREEMENT OR SALE.

IT,DOES HEREBY DECLARE UNDER OATH THAT IT IS THE SOLE
OWNER OF THE AFORESAID PROPERTY AND THAT SAID
PROPERTY IS FREE. CLEAR AND UNENCUMBERED AND IT DOES
HAVE ALL AUTHORITY AND RIGHT TO DISPOSE OF SAID
PROPERTY IN A MANNER OF ITS CHOOSING.

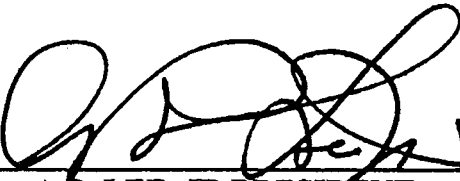
DATED THIS 19 th DAY OF FEBRUARY 2007

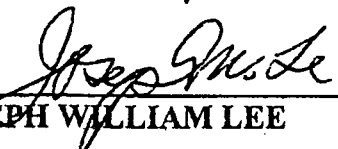
SELLER:

BUYER:

APPROVED BY A.R.LEE,JR.
PRESIDENT OF AMERICAN REALTY
AND MORTGAGE CO.,INC.

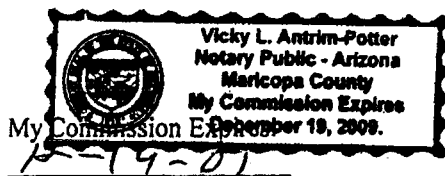
JOSEPH WILLIAM LEE.


A.R. LEE, JR.PRESIDENT

Accepted:

JOSEPH WILLIAM LEE

STATE OF ARIZONA)
) SS
COUNTRY OF MARICOPA)

THIS INSTRUMENT WAS ACKNOWLEDGED BEFORE ME THIS 19th
DAY OF FEBRUARY 2007 BY A. R. LEE, JR. PRESIDENT OF AMERICAN
REALTY AND MORTGAGE CO., INC AND JOSEPH W. LEE, BUYER.




NOTARY PUBLIC



Exhibit 1 F1
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION IX
75 Hawthorne Street
San Francisco, CA 94105-3901

VIA Certified Mail and Facsimile

#7000 1670 0009 3122-7513

Return Receipt Requested

AUG 14 2007

Joseph W. Lee, Secretary
American Realty & Mortgage Company Co., Inc.
P.O. Box 640
Wittmann, AZ 85361
Fax: (623) 388-2413

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages >

To	JOSEPH W. LEE	From	RICH CAMPBELL
Dept./Agency		Phone #	(415) 972-38
Fax #	(623) 388-2413	Fax #	(415) 947-35
NSN 7540-01-317-7368		5088-101 GENERAL SERVICES ADMINISTRATION	

Re: American Realty & Mortgage Company Co., Inc.
Public Water System ID No. AZ0411301

Dear Mr. Lee:

The U.S. Environmental Protection Agency Drinking Water Office ("EPA") plans to seek a penalty from you for violations of the Federal Administrative Order ("Order") issued to you on September 21, 2005 pursuant to Section 1414(g) of the federal Safe Drinking Water Act ("SDWA"). We are contacting you to determine if you wish to discuss settlement before EPA files a complaint seeking a penalty for these violations.

The September 25, 2005 Order found that the American Realty & Mortgage Company Water System (the "System") had violated a number of SDWA regulatory requirements beginning in 2003, including failure to meet the maximum contaminant level ("MCL") for nitrate, failure to adequately monitor for nitrate, failure to conduct lead and copper monitoring, failure to provide adequate public notice of these violations, and failure to report monitoring results to EPA. As you are aware, EPA's Order required, among other things:

- Completion of two six-month rounds of lead and copper monitoring by August 10, 2006.
- Quarterly nitrate monitoring for one year.
- Confirmation sampling where initial nitrate sampling results indicate an MCL violation.
- Compliance with the reporting requirements of 40 C.F.R. § 141.31(b), which require reporting to EPA within 48 hours of any failure to comply with the SDWA's national primary drinking water regulatory regulations at 40 C.F.R. § Part 141.
- Issuance of all outstanding public notices for your failure to conduct monitoring for lead and copper, nitrate MCL violations, and failure to take confirmation samples after violating the nitrate MCL on June 3, 2004 and November 19, 2004.
- Compliance with the SDWA's public notification requirements.

As of August 13, 2007, it appears to the best of our knowledge that you have failed to satisfy any of these requirements of the September 25, 2005 Order. We therefore find you in

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Joseph W. Lee
American Realty & Mortgage Co., Inc.
Page 2

violation of that Order.

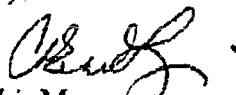
As owner and operator of the System, you are responsible for compliance with all requirements of the SDWA and the Order. Your violations of SDWA requirements, including the Order's timeframes and requirements, may subject you to a civil judicial penalty of up to \$32,500 per violation as of March 15, 2004 for each day in which the violation occurs, as assessed by an appropriate U.S. District Court, under SDWA §§ 1414(b) and 1414(g)(3), 42 U.S.C. §§ 300g-3(b) and 300g-3(g)(3), as well as 40 C.F.R. § 19.4, as amended by 69 Fed. Reg. 7121 (Feb. 13, 2004). You may also be subject to an administrative penalty of up to \$27,500 for violations of the Order, after notice and opportunity for a hearing, under SDWA § 1414(g)(3)(B), 42 U.S.C. § 300g-3(g)(3)(B).

We have tentatively determined that an administrative penalty is appropriate here. We are prepared to file an administrative complaint seeking up to \$6,000 for the violations in this case. However, we are hereby extending to you the opportunity to first settle the matter. We are also giving you the opportunity to present any information that you believe we should consider. Relevant information might include evidence that you did not violate the law; evidence that you relied on compliance assistance from EPA or a State agency; evidence that we identified the wrong party; or financial data bearing on your ability to pay a penalty. Enclosed is an EPA information sheet entitled, "U.S. EPA Small Business Resources," which may be helpful if you qualify as a small business.

If an agreement can be reached, the settlement would be in the form of a consent agreement and final order. Please note that the offer for settlement is extended to you to reach a quick resolution of the matter and, accordingly, is time-limited. We note that settlement would not relieve you of the responsibility of continuing to comply with the September 25, 2005 Order, or the SDWA and its safe drinking water requirements.

If you and/or your legal counsel would like to discuss settlement, please contact Rich Campbell in our Office of Regional Counsel within 14 days of receipt of this letter by telephone at (415) 972-3870, or by fax at (415) 947-3570. Should we not hear from you, or should you not agree to discuss a proposed settlement, EPA will proceed with filing a complaint in this matter.

Sincerely,



Corine Li, Manager
Drinking Water Office

Encl. - Small Business Information Sheet



Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street Phoenix, Arizona 85007
(602) 771-2300 www.azdeq.gov



Stephen A. Owens
Director

August 2, 2007

EXHIBIT - G

American Realty and Mortgage
Attn: Joseph Lee
P.O. Box 232
Wittman, Arizona 85361

**Re: Compliance Inspection of the American Realty and Mortgage Co., Inc.
Public Water System (PWS) 11-301
ICE Database Inspection Identification Number 105715**

Dear Mr. Lee:

On June 21, 2007, an inspection of the American Realty and Mortgage Company water system was performed to evaluate the site's compliance with the Arizona Revised Statute (A.R.S.) §49-351 et seq. and Arizona Administrative Code A.A. C. R18-4-101 et seq.

Potential deficiencies were noted during the course of the inspection. However, USEPA has issued an Administrative Order to American Realty and Mortgage Company. Accordingly, ADEQ will not take further action at this time in order not to duplicate the enforcement efforts of USEPA Region 9. A copy of this inspection report is being forwarded to Patrick Chan of the USEPA Region 9 Drinking Water Office.

If you have any questions regarding the enclosed report, please feel free to contact me directly at (602) 771-4441, or by e-mail at berry.karen@azdeq.com

Sincerely,

Karen Berry
Karen Berry

Environmental Engineering Specialist
Water Quality Field Services Compliance Unit

cc: Pinal County Health Department, P.O. Box 2517, Florence, Arizona 85232
John Calkins, Drinking Water Section Manager, ADEQ Water Quality Division
Patrick Chan, USEPA Region 9 Drinking Water Office, 75 Hawthorne Street (WTR-6),
San Francisco, CA 94105
Deborah Reagan, Arizona Corporation Commission, 1200 W. Washington, Phoenix, AZ
85007
Dorothy Hains, Arizona Corporation Commission, 1200 W. Washington, Phoenix, AZ
85007

Northern Regional Office
1801 W. Route 66 Suite 117 Flagstaff, AZ 86001
(928) 779-0313

Southern Regional Office
400 West Congress Street Suite 433 Tucson, AZ 85701
(520) 628-6733

Printed on recycled paper

E-7

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
WATER QUALITY DIVISION - WATER QUALITY COMPLIANCE SECTION
Field Services Unit
SUMMARY OF INSPECTION - WATER

Facility: American Realty and Mortgage

System No: 11-301

Inspected By: Karen Berry

Inspection Date: June 21, 2007

Accompanied By: Pat Finton, Joseph Lee

County: Pinal

Number of Plants/Wells: 2/2

System Grade: Grade 1 Distribution, Grade
1 Treatment

Certified Operator: None

Operator Grade: None

Population/Service Connections: 91/34

Mr. Lee was unable to provide ADEQ inspectors with a number of service connections. According to Mr. Lee, his accountant has the information, but is on vacation. The 2004 ACC Annual Report filed in November, 2005 identified 34 connections. Using the US Census Data for Pinal County (2.68 persons per household) as a multiplier, the number of people served by the water system is calculated as 91.

The system is in compliance with the following ADEQ requirements:

		<u>YES</u>	<u>NO</u>	<u>N/A</u>	UNKNOWN
1.	A certified operator is employed by the owner per ADEQ regulations.		X		
2.	The system meets ADEQ monitoring and reporting requirements.		X		
3.	This system meets ADEQ requirements for operation and maintenance of the physical facilities.				X

Inspection Purpose and Scope:

This was an announced routine inspection to determine the facilities compliance status under Arizona Administrative Code (A.C.C.) R18-4-101 et seq.

Facility Description:

This is a community water system consisting of two wells, two storage tanks, bladder type pressure tanks, and a distribution system.

Physical Inspection

Plant 1 consists of well 55-803963, a 10,000 gallon water storage tank, two bladder type pressure tanks, booster pumps, and a distribution system. The components were located within a locked, fenced enclosure. Inspection of well 55-803963 found the well to be operating. The well slab had several cracks which should be caulked to prevent the entry of contaminants in to the casing area.

The water storage tank was viewed from the outside. Mr. Lee stated he would not allow inspectors to access the top of the tank or view the contents due to the poor condition of the on-site ladder. Mr. Lee stated inspectors could call him in July to schedule an inspection in August to view the interior of the tank. On June 21, 2007, ACC engineer Del Smith inspected the top and interior of the storage tank and provided a photograph of the interior to ADEQ. The photograph shows floating material on the surface of the water.

Mr. Lee was asked if the system was chlorinated. He responded no, it was not chlorinated because they had no money.

Plant 2 consists of well 55-569475, a 4,500 gallon water storage tank, bladder type pressure tanks, booster pumps, and a distribution system. The components are located within a locked, fenced enclosure. Mr. Lee refused to allow ADEQ inspectors to access the site, claiming he would have inspectors arrested if they set foot at that location.

Mr. Lee explained that the system leased plant 2 for the water system, and since the system made no money, the system lost the lease of the plant due to non-payment. Mr. Lee stated the lease ended in July or September 2006. Mr. Lee was asked to clarify the ownership of the plant 2. He stated the plant was owned by A.R. and Audra Lee (his parents), who were the developers of the water system. Mr. Lee stated the land and plant were recently transferred to the Lee family trust, and since the payments were not made, the well was cut off. Mr. Lee was asked if the well was disconnected from the system with an air gap. Mr. Lee related that the well was valved off from the distribution system. Mr. Lee was asked again if the well was air gapped from the water system. Mr. Lee reiterated the well was valved off, and only he had control over the valve. Mr. Lee was informed that ADEQ considered the well to still be connected to the water system as long as it is not air gapped. Mr. Lee related that he did not care what ADEQ thought, the water system was disconnected and would not be reconnected until payment was made, and reiterated his right to have ADEQ inspectors arrested if they stepped foot onto that plant site.

Trenching was noted around the Plant 2 site. Observation of the trench did not reveal any disconnect from the distribution system.

Emergency Operations Plan and Microbiological Site Sampling Plan

Mr. Lee was asked to provide ADEQ inspectors with the Emergency Operations Plan and Microbiological Site Sampling Plan. He said he would not provide copies, as ADEQ had all the information. When asked if anything had changed in the operation of the system, or the number or location of the total coliform samples, he related that he could only do what he could without money. He stated that he had repeatedly asked ADEQ for money, but could not get any. ADEQ inspectors requested that he provide them with copies of any application for funding, but he stated he never filed any applications for funding assistance.

Mr. Lee related that within 8-10 days, the system would be out of water and he would be out of money and unable to pay the APS power bill. He stated that unless the state provided him with money the system would be out of money, and the customers without water.

A final request was made to Mr. Lee to provide the missing sampling analyses and updated Emergency Operations Plan and Microbiological Site Sampling Plan. Mr. Lee stated ADEQ would have to send him a written request for the records.

2003 Notice of Violation

ADEQ issued a Notice of Violation to American Realty and Mortgage on September 3, 2003, citing failure to obtain an Approval to Construct from ADEQ prior to modifying an existing public water system by adding Plant 2, and for failure to provide a certified operator for the system. Those deficiencies are still outstanding.

Certified Operator

All public water systems are required to provide a certified operator at the proper type and grade to operate the water treatment plant and water distribution system. According to Mr. Lee, the system has not had a certified operator for 35 years and he does not expect to have one. He stated that the system had no money to pay an operator.

Monitoring and Reporting

Nitrate

The system has exceed the Maximum Contaminant Level (MCL) in samples taken on July 7, 2006; March 14, 2006; February 18, 2006; June 29, 2005; November 19, 2004; June 3, 2004; June 3, 2004; August 18, 2003; July 5, 2003; and April 28, 1993.

American Realty and Mortgage is required to obtain quarterly nitrate samples after exceeding the nitrate trigger (5 mg/l) and after exceeding the MCL (10 mg/l). American Realty and Mortgage has failed to obtain 4 consecutive quarters of nitrate data since 1993.

American Realty and Mortgage failed to take confirmatory samples within 24 hours of receipt of a sample exceeding a MCL. No confirmatory samples were taken in response to the samples exceeding the MCL on July 7, 2006; March 14, 2006; February 18, 2006; June 29, 2005;

American Realty and Mortgage, PWS 11-301

August, 2007

Page 5 of 6

November 19, 2004; June 3, 2004; June 3, 2004; August 18, 2003; July 5, 2003; and April 28, 1993.

ADEQ inspectors asked Mr. Lee about the system response to the nitrate exceedance. Mr. Lee reported that the system had no money. The question was restated to Mr. Lee, and he said he had absolutely no plans for treating the water, and would have none until he received funding from the state. He stated he had no money for bottled or hauled water.

Total Coliform

The system has failed to report results of monthly total coliform samples for December, 2005; January, 2006; May, 2006; June, 2006; November, 2006; December, 2006; January, 2007; February, 2007; and May, 2007.

Mr. Lee was asked about the missing coliform data. He explained that he took the samples himself, and had them analyzed at a laboratory in Tempe. When asked about the missing months of data, Mr. Lee stated the laboratory was not open on Saturday, and did not accept samples on Friday, and he takes the samples on the weekends. Review of the total coliform sample analyses provided to ADEQ found he does not sample on the weekend.

Lead and Copper

American Realty and Mortgage has failed to report results of initial tap water monitoring for lead and copper. 1 sample was obtained on March, 2002, and five samples were obtained on July 11, 2003. Initial lead and copper tap monitoring requires a minimum of 5 samples to be obtained in two consecutive 6 month periods.

Consumer Confidence Report

American Realty and Mortgage failed to submit a copy of the Consumer Confidence report to ADEQ not later than the date the community water system delivers the consumer confidence report to its customers for calendar years 2003, 2004, 2005, and 2006.

Mr. Lee stated that the 2006 Consumer Confidence Report would not be submitted to ADEQ by July 1, 2007 as his accountant was on vacation until August. When asked when it would be submitted, Mr. Lee replied it could be anywhere up to December. Mr. Lee reported his accountant's name was Tim Palmer.

ADEQ inspectors reviewed the monitoring and reporting deficiencies with Mr. Lee. Mr. Lee claimed due to a lack of funds, some monitoring was not performed. He stated that he had repeatedly asked ADEQ, WIFA, and the ACC for funding, but was turned down. Mr. Lee was asked to provide copies of any applications for funding to the ADEQ inspectors. Mr. Lee replied that he had not filled out any applications. When asked to provide whatever monitoring data he had, he replied that he required a written request for any information.

Compliance Summary

1. **Monitoring and Reporting Requirements.** The facility is not in compliance with monitoring and reporting requirements. See section above.

2. **Operator Certification Requirements.** The facility has not employed a certified operator.
3. **Operation and Maintenance (O&M) Requirements.** The compliance of the facility with the operation and maintenance requirements of the system is unknown. It was not possible to determine compliance when access to the system was denied.

Exhibit - H

Joseph W. Lee

Attorney at Law

003429

32241 S. Center St. ** P. O. Box 640, Wittmann, Arizona 85361

Ph: 623-388-2949 or 623-388-0500 *** Fax: 623-388-2413

September 5, 2007

Arizona Corporation Commission
Utilities Division
1200 West Washington St.
Phoenix, Arizona 85007

All Commissioners and Agents Thereof

~~RE: W-02258A-07-04414 and~~
W-02258A-07-0470

AZ CORP COMMISSION
DOCKET CONTROL

2007 SEP - 5 P 4: 09

RECEIVED

**NOTICE OF SURRENDER
OF WATER FRANCHISE OF
AMERICAN REALTY AND MORTGAGE CO. INC.**

This Notice formally confirms that American Realty and Mortgage Company Inc. hereby gives up and surrenders its water franchise of our thirty years.

Prior Notice of the Water Company's decision to cease was given during the Arizona Corporation Commission hearing on August 20th 2007 for an emergency rate increase. The tiny water company has no monies to continue as a public water system – no rate increase in over thirty years.

Water operations ceased at 7:00 a.m. Monday August 27th, 2007. See copy of attached Notice of Termination of Water Service given to all customers.

Dated this 5th day of September, 2007

Joseph W. Lee

Joseph W. Lee

Attorney for

American Realty and Mortgage Co. Inc.

NOTICE

TO ALL RESIDENCE OF HACIENDA
ACRES, CUSTOMERS OF AMERICAN
REALTY & MORTGAGE CO., INC.

ALL WATER SERVICE BY THIS COMPANY
WILL BE TERMINATED EFFECTIVE UPON
RECEIPT OF THIS NOTICE OR AS OF 7:00
A.M. MONDAY AUGUST 27, 2007

DUE TO EXTREME HARDSHIP AND POOR
FINANCIAL CONDITION OF THE WATER COMPANY,
AMERICAN REALTY & MORTGAGE CO., INC. IT HAS
BECOME IMPERATIVE THAT IT CEASE OPERATION
IMMEDIATELY.

ALL WATER SERVICE TO
HACIENDA ACRES SUBDIVISION
AND AMERICAN REALTY AND
MORTGAGE CO., INC.
CUSTOMERS WILL BE
TERMINATED AFTER 7:00 A.M.
MONDAY AUGUST 27, 2007

SECRETARY/TREASURER
AMERICAN REALTY & MORTGAGE CO.,
JOSEPH W. LEE

Joseph W. Lee

Attorney at Law
003429

32241 S. Center St. ** P. O. Box 640, Wittmann, Arizona 85361
Ph: 623-388-2949 or 623-388-0500 *** Fax: 623-388-2413

September 5, 2007

Arizona Corporation Commission
Utilities Division
1200 West Washington St.
Phoenix, Arizona 85007

All Commissioners and Agents Thereof

RE: W-02258A-07-0414 and
~~W-02258A-07-0470~~

RECEIVED
2007 SEP -5 P 4:16
AZ CORP COMMISSION
DOCKET CONTROL

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OF WATER FRANCHISE OF
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Joseph W. Lee

Joseph W. Lee
Attorney for
American Realty and Mortgage Co. Inc.

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RECEIPT OF THIS NOTICE OR AS OF 7:00
A.M. MONDAY AUGUST 27, 2007

DUE TO EXTREME HARDSHIP AND POOR
FINANCIAL CONDITION OF THE WATER COMPANY,
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ALL WATER SERVICE TO
HACIENDA ACRES SUBDIVISION
AND AMERICAN REALTY AND
MORTGAGE CO., INC.
CUSTOMERS WILL BE
TERMINATED AFTER 7:00 A.M.
MONDAY AUGUST 27, 2007

SECRETARY/TREASURER
AMERICAN REALTY & MORTGAGE CO.,
JOSEPH W. LEE